

The complaint

Mr F complains that NewDay Ltd irresponsibly lent to him.

Mr F is represented by a solicitor's firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr F himself.

What happened

Mr F was approved for a branded NewDay credit card (which I will refer to as A in this decision), in January 2023 with a credit limit of £1,200. I have detailed the credit limit changes below:

October 2023	£1,200 to £1,650
February 2024	£1,650 to £2,900
May 2024	£2,900 to £3,900

Mr F was approved for another NewDay branded credit card (which I will refer to as B in this decision), in May 2024 with a credit limit of £900. Mr F says that NewDay irresponsibly lent to him. Mr F made a complaint to NewDay, who did not uphold his complaint. Mr F brought his complaint to our service.

NewDay made an offer to overturn their original decision not to uphold Mr F's complaint. They said they now offered to partially uphold his complaint as the last lending decision on A, and the approval of B may not have been suitable for Mr F. He asked for the complaint to be fully reviewed.

Our investigator did not uphold Mr F's complaint as she said NewDay made fair lending decisions. Mr F asked for an ombudsman to review his complaint. He said his bank statements that he forwarded to our service showed negative account balances and NewDay have made an offer to resolve his complaint, so he didn't think the entire lending was responsible.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before agreeing to approve or increase the credit available to Mr F, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks NewDay have done and whether I'm persuaded these checks were proportionate.

Acceptance for A

I've looked at what checks NewDay said they did when initially approving Mr F's application for A. I'll address the credit limit increases (including the application for B later on. NewDay said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mr F had provided before approving his application.

The checks showed that Mr F declared a gross annual income of £32,000. The checks also showed Mr F had no defaults or County Court Judgements (CCJ's) recorded on his credit file. The CRA reported that there were no accounts which were in arrears at the time of the application checks, and there had been no accounts in arrears in the six months prior to the checks.

The checks showed that Mr F had a debt to annual income ratio of 7.28%, so Mr F would have around £2,329.60 unsecured debt. The checks showed he wasn't on any repayment plans, and that the total credit commitment, as shown by the checks was around £97 a month. The £1,200 credit limit was 3.75% of Mr F's declared gross annual income.

So I'm satisfied that the checks NewDay carried out here, prior to approving the initial £1,200 credit limit were proportionate and that NewDay made a fair lending decision to approve Mr F's application for A.

October 2023 credit limit increase for A - £1,200 to £1,650

I've looked at the information available to NewDay as part of this lending decision. The data shows that Mr F's unsecured borrowings had increased to £6,022. But this would equate to less than 19% of Mr F's originally declared gross annual income. And NewDay were aware from the information from a CRA of how much Mr F was paying on a monthly basis towards this debt.

I can see that Mr F was not utilising the majority of credit available to him at the time, as his credit utilisation is showing as being at 49% at the time of the checks. So it wouldn't appear that Mr F was reliant on credit at this point.

The data also showed that Mr F had arrears on one of his external accounts. But it does appear that this was an oversight as he brought the account up to date the following month. NewDay would have also been able to see how Mr F managed A since account opening.

Mr F did incur one overlimit fee since his account had been opened. But again it appears this was an oversight from Mr F. I say this because in the month the fee was incurred Mr F made total repayments of £1,236.44 to A.

Mr F incurred no late payment fees on A, and he made higher repayments at times than his minimum repayment, which I wouldn't expect him to be able to make if he was struggling financially at the time. His last statement balance showing on the month NewDay completed the checks for this lending decision showed he only owed 12p on the account.

So it would not have been proportionate for NewDay to request Mr F's bank statements as part of this lending decision, as I'm persuaded NewDay's checks were proportionate. I'm persuaded that they made a fair lending decision to increase his credit limit here based on what the checks showed.

February 2024 – credit limit increase for A - £1,650 to £2,900

I've looked at the information available to NewDay as part of this lending decision. The data shows that Mr F's unsecured borrowings had decreased to £1,739. Mr F was again not

utilising the majority of credit available to him at the time, as his credit utilisation is showing as being at 19% at the time of the checks for this lending decision. So it wouldn't appear that Mr F was reliant on credit at this point.

Since the last lending decision, Mr F had not been in arrears on any of his external accounts. He incurred no overlimit fees or late payment fees on A since the last lending decision. NewDay also completed an affordability assessment as part of this lending decision as they assessed his income based on information from a CRA, and they used a mixture of information from the CRA and modelling to estimate Mr F's outgoings. The affordability assessment showed that Mr F could sustainably afford the repayments for a £2,900 credit limit.

So it would not have been proportionate for NewDay to request Mr F's bank statements as part of this lending decision, as I'm persuaded NewDay's checks were proportionate. I'm persuaded that they made a fair lending decision to increase his credit limit here based on what the checks showed.

May 2024 - credit limit increase for A, and the acceptance for B

As NewDay have upheld Mr F's complaint regarding the May 2024 and the acceptance of B lending decisions, and they have offered to settle this broadly in line with how I would have instructed them to settle this, then I have not made a finding on these lending decisions. But if the repayments aren't affordable to Mr F, then NewDay should set up an affordable repayment plan for him.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mr F in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."

I invited both parties to let me have any further submissions before I reached a final decision. Neither party responded to the provisional decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

Putting things right

In the provisional decision I said I intend to uphold this complaint in part. I said I intend to ask NewDay Ltd to take the following actions;

Card A;

NewDay should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £2,900 after 13 May 2024;

If the rework results in a credit balance, this should be refunded to Mr F along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information regarding this account from Mr F's credit file recorded after 13 May 2024;

Or, if after the rework the outstanding balance still exceeds £2,900, NewDay should arrange an affordable repayment plan with Mr F for the remaining amount. Once Mr F has cleared the balance, any adverse information recorded after 13 May 2024 in relation to the account should be removed from his credit file.

Card B:

NewDay should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mr F along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information regarding this account from his credit file;

Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Mr F for the remaining amount. Once Mr F has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

I'm still satisfied this is a fair outcome for the reasons given previously.

**If NewDay considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr F how much they've taken off. They should also give Mr F a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

I uphold this complaint in part. NewDay Ltd should settle the complaint in line with the instructions in the *"Putting things right"* section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 14 May 2025.

Gregory Sloanes
Ombudsman